

AGREEMENT FOR SALE OF ASSETS
(Seattle Plant)

THIS AGREEMENT made this 15th day of February, 1978, between KAISER GYPSUM COMPANY, INC., a Washington corporation (hereinafter referred to as the "Seller") and NORWEST GYPSUM, INC., a Washington corporation (hereinafter referred to as the "Buyer");

WITNESSETH

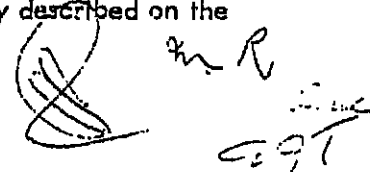
WHEREAS, Seller owns certain tangible assets hereinafter more particularly described comprising its gypsum board manufacturing plant facility located at Seattle, Washington (such plant facility is hereinafter referred to as the "Seattle Plant"); and

WHEREAS, Buyer has agreed to purchase, and Seller has agreed to sell, these assets on the specific terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the respective mutual agreements, representations and warranties herein contained, Buyer and Seller agree as follows:

1. Sale of Plant Assets. The Seller hereby agrees to sell (or to assign or sublease in the case of leased assets) to the Buyer, and the Buyer hereby agrees to purchase or accept, subject in each case to the provisions of this Agreement, all of the following described real property and tangible personal properties that are owned or leased by the Seller and directly utilized by Seller in connection with its Seattle Plant and which are located upon the real estate described in the attached Schedule I (all of such items together being referred to as the "Plant Assets"):

A. Real Property. That certain parcel of land located between East Marginal Way and the Duwamish River in the City of Seattle, Washington, which is now owned by Seller, consisting of 9.7 acres more or less and as more particularly described on the

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attached Schedule I, together with all the privileges and appurtenances thereto and all plants, buildings, structures, installations, fixtures, improvements, betterments and additions situated thereon, and together with easements for (1) Buyer's use of the dock facility (on adjoining land owned by Kaiser Cement & Gypsum Corporation, the parent company of Seller) to permit unloading of gypsum rock and Buyer's maintenance of a conveyor system thereon to the Seattle Plant, and (2) mutual easement for ingress and egress (such land, improvements, and easements together hereinafter referred to as the "Real Property");

B. Equipment. All of the machinery, tools, dies, appliances, vehicles, furniture, equipment, and other personal property of every kind and description that are located upon or within the Real Property, are owned or leased by Seller, and are utilized in connection with Seller's Seattle Plant operations, a current list of which is more specifically described in Schedule II hereto;

C. Inventory. All of the gypsum board and other finished goods and raw materials (whether expensed or capitalized), including gypsum board, gypsum rock, work in process, consumable manufacturing supplies, spare parts and repair materials that are actually on hand as of the Closing Date on or within the Real Property and are owned by Seller, an approximate list of which items currently on hand shall be attached hereto as Schedule III (such items hereinafter referred to as the "Inventory");

D. TOGETHER WITH, and included therein (to be delivered to Buyer subsequent to Closing) all papers and records in Seller's care, custody, or control relating solely to: (1) operation of the Seattle Plant, (2) the Plant Assets, and (3) including but not limited to all blueprints and specifications, all accounting and financial records, all maintenance and production records, all plats of survey of the Real Property, and all plans and designs of the Seattle Plant, and all other intangibles (excluding accounts receivable and payable).

2. Purchase Price. Purchaser agrees to pay and Seller agrees to accept, in full payment:

A. For all of the Real Property and Equipment, a total purchase price of Seven Million Six Hundred Thousand Dollars (\$7,600,000.00); and

B. For said Inventories, a total purchase price equal to the aggregate value of said Inventories actually on hand, to be determined according to a physical count made jointly by the parties immediately prior to the Closing Date, with the various items thereof being counted and valued in the manner and at the prices provided for in Schedule V hereof.

The net purchase price payable on the Closing Date shall be increased, or decreased, as the case may be, by the net amount of the closing prorations and expenses provided for in Section 15.B below.

The purchase price shall be paid in immediate "good funds" upon Closing in the manner specified in Clause 15.B hereof, or at the option of Seller by cashier's check.

3. Closing Date. This transaction shall be closed and consummated at Safeco Title Insurance Company, 4th and Vine Building (or other locations of Seller's choice) in Seattle, Washington, at 9:30 a.m. P.S.T. on February 14, 1978, but in any event on or before 5:00 p.m. P.S.T. on February 15, 1978, or at such other time and place as the parties hereto mutually may agree in writing. Said date or any alternate date agreed to by the parties hereunder is herein referred to as the "Closing Date" or time of "Closing" for all purposes of this Agreement.

The Closing shall take place in the manner set forth in Clause 15 hereof.

4. Supply Contracts. Seller and Buyer shall upon Closing enter into written agreements between each other whereby:

M. R.
[Signature]

A. Seller will insure the Seattle Plant a source of supply of gypsum board paper from Seller's paper manufacturing plant at San Leandro, California; and

B. Seller will insure the Seattle Plant a source of supply of gypsum rock.'

Copies of such agreements in the form mutually agreed upon by the parties are attached.

Appropriate dates and price adjustments as of the Closing Date shall be made therein by Seller as therein provided.

5. Representations and Warranties by Seller. The Seller does hereby represent and warrant as follows:

A. Organization and Standing. The Seller is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has all the necessary corporate power and authority to own and to operate the Plant Assets hereunder as now owned and operated by it.

B. Authority. The execution, delivery and performance of this Agreement by the Seller, including, without limitation, the conveyances, transfers and deliveries contemplated hereby, have been duly and effectively authorized by all necessary corporate action, and this Agreement constitutes a legal, valid and binding obligation of the Seller, enforceable in accordance with its terms.

C. Title to Properties. Except as allowed pursuant to Paragraph 8.D or as disclosed in Schedule VI attached hereto, the Seller will on the Closing Date have, and be able to convey, title to all of the Plant Assets, free and clear of all mortgages, liens, encumbrances, pledges or security interests of any nature whatsoever, and otherwise such title shall be good and marketable.

D. Condition of Plant Assets. All of the Equipment has been maintained in accordance with customary industry practice and is operable in a normal manner; provided, however, that except as so expressly warranted (and subject further to the limitations thereon in Paragraph 2B below) all of the Plant Assets shall be transferred to and accepted by Buyer "As Is, Where Is" as of the Closing Date.

E. Absence of Other Assets. Except for the exceptions expressly set forth in Paragraph 1.E. above, there are no material tangible assets or properties of any nature which are being retained after the Closing Date by the Seller or any subsidiary or entity affiliated with the Seller which have been customarily and directly employed in the operations of its Seattle Plant.

F. Transfer Instruments. Except as set forth in Schedule VI attached hereto, and excluding current tax liens for taxes not yet due and payable, the instruments of transfer and conveyance to be executed by the Seller and delivered to Buyer on the Closing Date shall be valid and effective to transfer to Buyer title (or in the case of leased assets, all of the Seller's leasehold rights and interests therein) to all of the Plant Assets to be transferred hereunder, free and clear of all mortgages, liens, encumbrances, pledges or security interests of any nature whatsoever, and otherwise good and marketable title.

G. Litigation and Environmental Problems. Except as set forth in Schedule VII, there is no material litigation or proceeding pending, or to the knowledge of the Seller any investigation pending, or to the knowledge of the Seller any material litigation, proceeding or investigation threatened against or relating to the operation of the Seattle Plant or the Plant Assets, and the Seller does not know of any basis for any such possible action. Except as disclosed on said Schedule VII, the Seller has received no notice of any outstanding violation of any law, regulation or requirement relating to the

operation of the Seattle Plant or the Plant Assets to be transferred hereunder; and, so far as is known to the Seller, no such violation exists. Except as set forth in said Schedule VII, Seller does not know of any condition or set of facts relating to the operation of the Seattle Plant which constitutes a violation of any health, safety or environmental law or regulation.

H. Leases, Contracts and Agreements. Except as described in the attached Schedule VIII, and except for purchase commitments which have been entered into in the normal and ordinary course of business, the Seller does not have any leases of real or personal property, or any agreements, contracts, licenses, permits or commitments of any nature, oral or written, that materially affect the Plant Assets or the operation of the Seattle Plant. Except as set forth in said Schedule VIII, the Seller has complied with and is complying with all of the terms and conditions of all such leases, agreements, contracts or commitments materially affecting the Plant Assets to be transferred hereunder or the operation of the Seattle Plant, and Seller is not in default under any of them and no event has occurred which, with the lapse of time, would constitute a default on the part of Seller under any of them. Except as disclosed in said Schedule VIII and except as otherwise expressly agreed to herein, all of the Seller's leases, agreements, contracts, licenses, permits, or commitments and policies to be transferred to Buyer hereunder are freely assignable to Buyer without consent of another party.

I. Collective Bargaining Agreements. Except as described in Schedule IX, the Seller is not a party to any written or oral collective bargaining agreement or union contract, or to any hourly employee benefit agreement, commitment, arrangement or program relating to the operation of the Seattle Plant or the hourly employees employed therein.

J. Employment Agreements. Except as described in Schedule X hereof, Seller has no employment or consultative agreements, employee benefit agreements, programs,

commitments, understandings or arrangements involving salaried employees of the Seattle Plant, which shall include, for all purposes of this Agreement, any members of the sales or sales order group.

K. Disclosure. No representation or warranty by the Seller in this Agreement contains or will as of the Closing Date contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein not misleading.

6. Representations and Warranties by Buyer. Buyer does hereby represent and warrant as follows:

A. Organization and Standing. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has all of the necessary corporate power to acquire, own and operate the Plant Assets hereunder.

B. Authority. The execution, delivery and performance of this Agreement by the Buyer (including, without limitation, all of the Buyer's assumptions and undertakings hereunder) have been duly authorized by all necessary corporate action, and this Agreement constitutes a legal, valid and binding obligation of Buyer enforceable in accordance with its terms.

C. Litigation and Related Problems. Except as set forth in Schedule XI, the Buyer knows of no litigation, proceeding or investigation pending, or to the knowledge of the Buyer, threatened which might affect the Buyer's ability or right to perform and carry out its obligations hereunder, and Buyer does not know of any basis therefor.

D. Disclosure. No representation or warranty by the Buyer in this Agreement contains or will as of the Closing Date contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained herein not misleading.

7. Assumption of Liabilities. It is expressly understood and agreed that Buyer shall not, by virtue of this Agreement, the consummation of the transactions contemplated herein, or otherwise, assume any liability or obligation of the Seller or any liability or obligation constituting a charge, lien, encumbrance or security interest upon the Seattle Plant or any of the Plant Assets to be transferred hereunder, or any liability or obligation arising out of the sale of any product or other asset of the Seattle Plant, other than those set forth in this Paragraph 7. or in Paragraph 9. below.

The Buyer hereby expressly accepts responsibility for, assumes and agrees to perform the following:

A. Property Liens and Encumbrances. The mortgages, liens, encumbrances, pledges and security interests which are listed and described in Schedule VI, and current tax liens for real property taxes not yet due and payable.

B. Leases, Contracts and Agreements. The leases, agreements, contracts, licenses, permits and commitments which are listed and described in Schedule VIII (except for those which are expressly noted on the said Schedule as not to be assumed by Buyer) and the purchase commitments which are properly omitted from Schedule VIII, by virtue of the exception set forth in Paragraph 5.H. above, and such contracts as have been entered into pursuant to the provisions of Paragraph 8.B. hereof.

C. Risk of Divestiture. All risks of divestiture of any or all of the Plant Assets as may be required of Buyer after closing directly or indirectly by any governmental entity or agency.

8. Conduct of Business Pending the Closing Date. The Seller hereby agrees that from the date hereof and until the Closing Date and except as otherwise consented to and approved in writing by Buyer, the Seattle Plant, if operated, shall be operated as follows:

A. Operation of Business. The Seller reserves the right at any time, and from time to time, to close, shut down, suspend or limit, in whole or in part, operation of the Seattle Plant. It is understood that the Seller may be making purchases of raw materials, supplies, spare parts, and minor items of equipment, may be producing products for sale and for inventory, and may be selling products held or produced for resale, but shall be under no obligation to do so. The Seller shall restrict any purchases to such kinds and quantities thereof as are usual in the normal course of the business of the Seller.

B. Leases, Contracts and Commitments. Seller shall enter into no lease, agreement, contract or commitment of any nature, oral or written, that affects or relates to the Plant Assets or the operation of the Seattle Plant other than commitments which are entered into in the normal and ordinary course of business, without the prior consent of Buyer.

C. Compensation. No increase shall be made in the compensation payable or to become payable by Seller to any of the employees or agents associated with the Seattle Plant, except as are usual in the normal course of the business of the Seller, and no employment contract shall be entered into or any increase in any present pension payment or arrangement shall be made to or with any of them, other than pursuant to any existing pension or profit sharing plan (as the same has been amended at Seller's Board

of Directors meeting in December, 1977) or existing collective bargaining agreement or as Seller deems necessary as a result of the Employee Retirement Income Security Act or other applicable law.

D. Encumbrances and Dispositions. None of the Plant Assets shall be encumbered, disposed of, or made the subject of any contract or commitment for disposition, except for such dispositions as are made in the ordinary course of business by the Seattle Plant and except for liens for current state and local taxes not yet due and payable.

E. Insurance. Seller shall keep the Plant Assets and operations protected by insurance for the risks and in the amounts of coverage in accordance with Seller's present business practices. Seller shall cancel all insurance on the Plant Assets to be sold, assigned and transferred hereunder, effective as of the Closing Date, and Seller shall be entitled to retain all refunds resulting or due from such cancellation. All risk of loss, as to the Plant Assets, whether or not insured, shall remain with Seller prior to the Closing Date and shall pass to the Buyer upon the Closing Date, except as provided in Clause 17 hereof. Buyer shall arrange for its own insurance coverage on all such Plant Assets as of the Closing Date.

9. Employee Benefits.

A. Hourly Employees. Seller has entered into Labor Agreements as follows: (1) one dated September 1, 1977 with Drivers, Salesmen, and Warehousemen, Local Union #117, and (2) one dated September 1, 1977 with the International Union of Operating Engineers, Local #286, to cover hourly employees at the Seattle Plant who are represented

by those respective Unions. Both of such Agreements extend for three (3) years. Copies of such Agreements are attached on Schedule IX hereto. Buyer agrees to assume as "successor" all of the responsibilities of Seller under the Agreements with said Unions as they may exist as of the Closing Date, and to continue said Agreements for covered hourly employees.

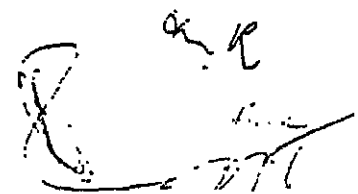
B. Salaried Employees. Seller maintains the Kaiser Cement Retirement Plan ("Plan") for its salaried employees, including certain salaried employees at its Seattle Plant. Said employees will be terminated from the Plan as of the Closing Date. Seller agrees to cause the Administrative Committee of Kaiser Cement Retirement Plan to pay affected employees, from the qualified trust fund of the Plan, their accrued benefits to the Closing Date. Said accrued benefits will be calculated by Hewitt Associates, the Plan's actuaries, in accordance with the provisions of the Plan, but without application of the Plan's vesting schedule. Said accrued benefits will be paid within sixty (60) days of the Closing Date in the manner specified by the Administrative Committee of the Plan.

C. All Employees. Nothing herein contained shall be construed to constitute a commitment by Buyer to continue the employment of any particular employee or any such employees or to provide any comparable benefits to employees after the Closing, except as hereinabove expressly stated. Seller also agrees to provide all other accrued and vested benefits accrued to the Closing Date which have been earned by Seller's employees at its Seattle Plant, including severance pay to which they are entitled, in the case of employees not to be employed by Buyer.

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10. Conditions Precedent to Obligations of Seller. All obligations of the Seller under this Agreement are subject to the fulfillment, prior to or at the Closing Date, of each of the following conditions (unless waived in writing by the Seller):

A. Representations. The representations and warranties of the Buyer contained in this Agreement shall not only have been true and complete in every material respect as of the date of this Agreement, but shall also be true and complete in every material respect as though again made as of the Closing Date;

B. Compliance. The Buyer shall have performed and complied with all terms and conditions required by this Agreement to be performed or complied with by Buyer prior to or at the Closing;

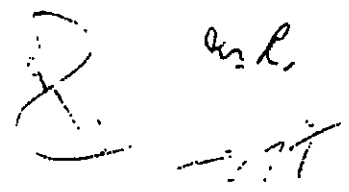
C. Board Approval. This transaction shall have been approved by Seller's Board of Directors on or before January 6, 1978.

11. Conditions Precedent to Obligations of Buyer. All obligations of Buyer under this Agreement are subject to the fulfillment, prior to or at the Closing Date, of each of the following conditions (unless waived in writing by Buyer):

A. Representations. The representations and warranties of the Seller contained in this Agreement shall not only have been true and complete in every material respect as of the date of this Agreement, but shall also be true and complete in every material respect as though again made as of the Closing Date.

B. Compliance. The Seller shall have performed and complied with all terms and conditions required by this Agreement to be performed or complied with by Seller prior to or at the Closing.

12. Bulk Sales Law. The Buyer and Seller agree to waive compliance with any bulk sales or similar law to the extent the same may be applicable to the transactions, provided,

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however, that by such waiver the Buyer does not agree to assume any liabilities or obligations of the Seller except to the extent expressly assumed in Paragraph 7. above.

13. Cure of Breach. Prior to the closing, the Buyer and Seller each hereby covenant and agree immediately to notify the other of any breach or potential breach by itself, or of any breach by the other party of which such notifying party becomes aware, or of any failure or likely failure to occur, of any term, conditions, or provision of this Agreement including, without limitation, any of the covenants, representations, warranties and conditions precedent contained herein.

A. If necessary, the Closing Date may be extended at the option of and upon written notice by the non-breaching party for such period of time as may be necessary with due diligence for the breaching party to cure such breach, provided, however, that in no event shall the Closing Date be extended under this Subparagraph A beyond February 15, 1978. For purposes of this Subparagraph, the term "breach" shall include any default or failure to comply with any of the terms, conditions, or provisions of this Agreement within the time period herein provided for.

B. In addition, if prior to Closing there appears any matter or circumstance which constitutes a material defect affecting the title to any of the Plant Assets, either real or personal, other than permitted exceptions disclosed on relevant schedules hereto, respectively, then either party shall give notice to the other of such defect, and Seller shall proceed forthwith to cure and remove all such defects, all at Seller's own cost and expense, and shall promptly furnish Buyer with evidence thereof reasonably satisfactory to Buyer's attorneys; and (unless Buyer elects to proceed to Close Subject to such defect or breach as below permitted) Seller may elect to extend the time of Closing for up to an additional

sixty (60) days to accomplish the same; provided, however, that if such defect or default cannot reasonably within such time be cured by Seller, then Seller may terminate this Agreement.

If, notwithstanding the foregoing, Buyer elects to proceed to close subject to a defect or breach, Seller shall remain obligated to use its best efforts to discharge, cure or remove any such defects or breaches which are material in nature, and which reasonably can be cured, unless Seller elects to terminate this Agreement as above provided.

14. Access and Information. Seller shall give to Buyer and to Buyer's counsel, accountants and other designated representatives, reasonable access to all of the Plant Assets and to all of the contracts and commitments to be assumed by the Buyer, as well as to all the accounting and production records of the Seattle Plant and to all purchase and payroll records of Seller relating solely to the Seattle Plant or the Plant Assets, and shall furnish Buyer with all information concerning the business and affairs of the Seattle Plant as Buyer may request reasonably.

Within a reasonable time after the Closing Date, Seller shall deliver to Buyer all accounting and production information in Seller's possession relating solely to the Seattle Plant which Seller has not heretofore delivered to Buyer. After the Closing Date, Buyer will permit Seller at all reasonable times, on request, to inspect such books and records relating to the Seattle Plant prior to the Closing Date which have been transferred to Buyer by Seller hereunder and to make extracts therefrom, and none of such books and records shall be destroyed unless written notice is first given and an offer is made to return to Seller the books and records intended to be destroyed.

In the event of a termination of this Agreement, Buyer shall keep confidential any information (unless readily ascertained from public or published information or trade sources) obtained from Seller concerning its operations and business and shall return to Seller (without

retaining copies thereof) all schedules, documents or other written information obtained by Buyer in connection therewith.

15. Procedures For Closing. On the Closing Date, as a part of and as mutual conditions precedent to, the transaction herein, the following shall occur:

A. To Be Delivered to Buyer. The Seller shall deliver to Buyer:

(1) Certified resolutions of Seller's board of directors authorizing the execution of this Agreement and the consummation of the transactions contemplated herein; and a Certificate of Incumbency of the officer executing the various instruments on behalf of Seller;

(2) A certificate signed by an authorized officer of the Seller attesting to the fact that all of the representations and warranties of the Seller contained in Paragraph 5. hereof are true and correct in every material respect as of the Closing Date;

(3) Duly executed standard warranty deed to the Real Property containing usual warranties of title and subject to no exceptions other than those exceptions shown on Schedule I hereto and of record, and such further standard terms, conditions, and exceptions as contained in a standard policy of title insurance;

(4) Duly executed bill(s) of sale conveying title to the Equipment and Inventory to Buyer, containing general warranties of title and subject only to exceptions disclosed on Schedules II and III hereto, respectively;

(5) Written assignments to Buyer of Seller's interests under the agreements described in Schedule VII, together with any consents to assignment required;

(6) An opinion of counsel for the Seller dated as of the Closing Date addressed to the Buyer to the effect that:

(a) Seller is duly organized, validly existing and in good standing under the laws of the State of Washington, and has all the necessary corporate power and authority to own and operate the Plant Assets hereunder and as now owned and operated by it.

(b) This Agreement has been duly executed and delivered by the Seller and constitutes a legal, valid and binding agreement of the Seller enforceable against Seller in accordance with its terms, subject to the application of general insolvency laws and to the exercise of a Court's discretion with regard to equity jurisdiction;

(c) Except as set forth in Schedule VII of this Agreement, such counsel knows of no litigation, proceedings or investigation pending, or to the knowledge of such counsel, threatened, which might affect the Seller's ability or right to perform and carry out its obligations hereunder;

(d) No provision of the Seller's Articles of Incorporation, or of its By-Laws, or of any contract known to such counsel to which the Seller is a party or by which the Seller is now bound, prevents the Seller from taking any action contemplated by this Agreement;

(e) Every instrument executed and delivered by the Seller in connection with the transactions contemplated by this Agreement is its legal, valid and binding obligation, and is enforceable against Seller in accordance with the terms of such instrument, subject to the application of general insolvency laws and to the exercise of a Court's discretion with regard to equity jurisdiction;

(f) All corporate and other proceedings required to be taken by the Seller or on its part to authorize it to execute and deliver all the instruments contemplated by this Agreement have been duly and properly taken, and that no vote or consent of the stockholders of Seller is necessary to authorize the transactions contemplated herein.

Such counsel shall be entitled to rely on statements of fact made by the Seller and its agents and employees and by public officials and may be made upon such counsel's best information and belief;

(7) Two copies of the Rock and Paper Supply contracts referred to in Clause 4, containing adjustments as of Date of Closing.

(8) And such assignment, and conveyances of other instruments sufficient to transfer to Buyer the items which Buyer is to assume pursuant to this Agreement.

(9) Possession of the Plant Assets.

B. Concurrently therewith, the parties shall:

(1) Execute the Rock and Paper Supply contracts and each retain one copy thereof;

(2) Prorate:

(a) Any prepaid or unpaid real property taxes on the Real Property, and personal property taxes on the tangible personal properties, being purchased hereunder as of the Closing Date on the basis of the fiscal year of each taxing body involved, and if the amount of any tax is not ascertainable as of the Closing Date, proration of the tax shall be based on the most recent ascertainable tax bill, subject to later reparation when the actual amount becomes known;

(b) Amounts prepaid or accrued under contracts for services, such as janitorial, utilities and similar items;

(c) To the extent not paid directly to employees, employee salaries and accruals;

(d) Lease and rental payments; and

(e) Other items which are customarily prorated.

(3) Allocate and pay expenses of this transaction as follows:

(a) Buyer shall pay the premium for any policy of title insurance it may desire, and any sales or similar tax (including use tax) which may be payable with respect to the sale and transfer of Plant Assets hereunder (except as provided in Subsection (3)(b) hereof);

(b) Seller shall pay for recording the deed, the documentary stamps with respect to such deed, and the one per cent (1%) County real estate excise tax;

(c) Escrow and all other miscellaneous closing costs shall be shared equally.

C. Concurrently with Seller's compliance with the foregoing, Buyer shall:

(1) Pay the purchase price as provided for in Section 2, plus or minus any net prorations or adjustments under Clause B of this Section 9, by immediate "good funds" transfer into Seller's parent company's account #1336 007 at the Seattle First National Bank headquarters office, Seattle, Washington, so as to insure same-day credit, with no loss of interest thereon.

(2) Reimburse Seller for the IMP Mill as provided in Clause 16, if complete on Closing.

(3) Provide to Seller such agreements, satisfactory in form and content to Seller, by which Buyer assumes the obligations and liabilities described in this Agreement to be assumed by it.

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(4) Provide to Seller a certificate signed by an authorized officer of Buyer attesting to the fact that all of the representations and warranties of Buyer contained in Paragraph 6. hereof are true and correct as of the Closing Date.

(5) Provide to Seller certified resolutions of Buyer's board of directors authorizing the execution of this Agreement and the consummation of the transactions contemplated herein; and Certificate of Incumbency of each officer executing Agreement on behalf of Buyer.

(6) Provide to Seller a resale or sales and use tax exemption certificate relating to the Inventory; and,

(7) Provide to Seller an opinion of counsel for the Buyer dated as of the Closing Date addressed to the Seller in form and substance satisfactory to the Seller's counsel to the effect that:

(a) Buyer is duly organized, validly existing and in good standing under the laws of the State of Washington, and has all the necessary corporate power and authority to acquire, own and operate the Plant Assets to be acquired hereunder;

(b) This Agreement has been duly executed and delivered by the Buyer and constitutes a legal, valid and binding agreement of the Buyer enforceable against Buyer in accordance with its terms, subject to the application of general insolvency laws and to the exercise of a Court's discretion with regard to equity jurisdiction;

(c) Except as set forth in Schedule XI of this Agreement, such counsel knows of no litigation, proceedings or investigation pending, or to the knowledge of such counsel, threatened, which might affect the Buyer's ability or right to perform and carry out its obligations hereunder;

(d) No provision of the Buyer's Articles of Incorporation, or its By-Laws, or of any contract known to such counsel to which the Buyer is a party or by which the Buyer is now bound, prevents the Buyer from taking any action contemplated by this Agreement;

(e) Every instrument executed and delivered by the Buyer in connection with the transactions contemplated by this Agreement, is its legal, valid and binding obligation and is enforceable against Buyer in accordance with the terms of such instrument, subject to the application of general insolvency laws and to the exercise of a Court's discretion with regard to equity jurisdiction;

(f) All corporate and other proceedings required to be taken by the Buyer or on its part to authorize it to execute and deliver all the instruments contemplated by this Agreement have been duly and properly taken and no vote or consent of the stockholder of Buyer is necessary to authorize the transactions contemplated herein.

Such counsel shall be entitled to rely on statements of fact made by the Buyer and its agents and employees and by public officials and may be made upon such counsel's best information and belief.

D. Additional Transfer Documents. From time to time, at Buyer's request, whether at or after the Closing Date and without further consideration, the Seller will execute and deliver such further instruments of transfer and take such other action as Buyer reasonably may require to transfer more effectively to Buyer title or possession to any of the Plant Assets to be transferred hereunder.

16. IMP Mill. Seller is in the process of constructing and installing an Impact Mill at the Seattle Plant. Seller shall continue such construction in the ordinary course and shall complete the same prior to closing hereunder (subject to delays beyond the control of Seller). Upon the later of (i) completion of such construction or (ii) closing hereunder, Buyer shall reimburse Seller in cash for the actual direct cost of such construction (estimated to be \$65,000) but not, in any event, to exceed the sum of \$75,000.

17. Damage or Destruction Prior to Closing. In the event that any of the buildings, structures, or Equipment being purchased by Buyer hereunder are damaged or destroyed due to any cause whatever (whether negligent or non-negligent) prior to the Closing date, and the damage is of such nature and magnitude that in the reasonable judgment of the parties:

A. The repair and restoration of such damage cannot be substantially completed within one hundred eighty (180) days after the occurrence thereof, or

B. The estimated cost of such repair and restoration is in excess of \$7,600,000.00,

then either party may, within the periods hereinafter provided, elect to terminate this Agreement and all obligations arising hereunder. Seller shall have fifteen (15) days after such occurrence in which to make such election. Seller shall also give Buyer prompt notice of any such occurrence and Buyer shall have fifteen (15) days after the receipt of such notice in which to make its election. If either party fails to give notice of its election to terminate within the time limit so provided, then such right shall be deemed waived by the party failing to give such notice. If neither party gives such notice to terminate, Seller shall proceed immediately to repair and restore such damage, and shall retain all insurance proceeds therefrom, and such transaction shall close. In the event that the fifteen (15)-day notice periods above provided shall extend beyond the Closing Date provided in Section 4 hereof, such Closing Date shall be continued to the day following the expiration of the latest fifteen (15)-day notice period above provided.

In the event any such damage or destruction is of a lesser nature and magnitude than described above in this section, Seller shall with reasonable diligence commence and complete the repair and restoration of the damaged or destroyed buildings, structures, machinery or equipment and retain all insurance proceeds therefrom; and, in the event such property is not fully repaired and restored prior to the Closing Date provided herein, said Closing Date may be continued by Seller until Seller shall have completed such repairs or restoration.

In the event the parties disagree as to the cost of repair and restoration, notice of such disagreement may be given by either party and the parties shall promptly submit such question to binding arbitration by a qualified appraiser who has been designed by Seller's insurance carrier and who is acceptable to Buyer; and the notice period provided above shall be extended to fifteen (15) days after the appraiser has rendered his appraisal in writing, which he shall do as promptly as possible and in no event more than thirty (30) days after submittal to him.

18. Press Releases. It is the intention of the parties that a joint press release shall be issued upon execution of this Agreement by both parties, and possible also upon closing of the transaction. The wording of such press releases and other publications or other notices regarding this transaction shall be jointly and reasonably determined by the parties, but shall, in event of a dispute, be subject to Seller's final approval as to timing and content.

19. Indemnity by Seller. The Seller does hereby agree to indemnify and hold harmless Buyer at all times after the date of this Agreement and after the Closing Date against and in respect of:

A. Liabilities of the Seattle Plant. All liabilities and obligations of the Seller relating to the operations of the Seattle Plant, of every kind, nature and description, regardless of whether such liabilities or obligations are accrued or unaccrued, absolute or contingent, liquidated or unliquidated, or otherwise, which exist at the Closing Date or arise out of transactions entered into prior to, or a state of facts existing

prior to, the Closing Date, except only such liabilities and obligations as shall be expressly assumed by Buyer pursuant to this Agreement.

B. Claims Upon Plant Assets. All claims against, or claims of any interest in, or all liens or encumbrances or the like upon any or all of the Plant Assets to be transferred hereunder by the Seller to Buyer, which exist at the Closing Date or arise out of transactions entered into prior to, or a state of facts existing prior to, the Closing Date, excepting only such liabilities and obligations as shall be expressly assumed by Buyer pursuant to this Agreement.

C. Breach of Representation, Warranty or Agreement. Any liability, damage or loss resulting from any misrepresentation or non-fulfillment of any agreement on the part of Seller under this Agreement (provided, however, that Seller shall have no obligation hereunder to indemnify Buyer for any breach of the representations and warranties contained in Paragraph 5.D. above, except to the extent set forth in Paragraph 28 below).

D. Product Liabilities. All liabilities and obligations directly arising out of the sale by the Seller of defective inventory or the use or sale by the Buyer of defective finished goods inventory purchased by Buyer from Seller hereunder, but only as and to the extent expressly provided in the Seller's Standard Warranty, a copy of which is attached hereto as Exhibit A.

E. Miscellaneous. The indemnification of Seller herein provided shall include the duty or obligation on the part of Seller to defend and protect Buyer with respect to all claims, demands, actions, suits, and proceedings which are asserted against Buyer, the Seattle Plant or the Plant Assets which arise out of or are within the terms of Seller's indemnification set forth above and the duty or obligation to pay all reasonable costs and expenses directly associated with the foregoing.

20. Indemnity by Buyer. The Buyer does hereby agree to indemnify and hold harmless the Seller at all times after the date of this Agreement and after the Closing Date against and in respect of:

A. Assumed Obligations. All liabilities and obligations of Buyer or of the Seller of every kind, nature and description, regardless of whether such liabilities or obligations are absolute or contingent, liquidated or unliquidated, accrued or unaccrued or otherwise, which Buyer is expressly agreeing to assume pursuant to Paragraphs 7 and 9 above, subject to the terms thereof.

B. Liabilities of the Seattle Plant after Closing Date. All liabilities and obligations of every kind, nature and description, relating to the operations of the Seattle Plant after the Closing Date or which arise out of transactions or a state of facts which occur after the Closing Date.

C. Employee Benefits. All liabilities to and claims by employees of Seller who become employees of Buyer for pension, retirement plan, and other employee benefits accruing or arising from and after Closing date.

D. Breach of Representation, Warranty or Agreement. Any liability, damage, or loss resulting from any misrepresentation, or non-fulfillment of any agreement on the part of Buyer under this Agreement.

E. Miscellaneous. The indemnification of Buyer's herein provided shall include the duty or obligation on the part of Buyer to defend and protect Seller with respect to all claims, demands, actions, suits and proceedings which are asserted against Seller, which arise out of or are within the terms of Buyer's indemnification set forth above and the duty or obligation to pay all costs and expenses associated with the foregoing.

ms R.
[Handwritten signature]

21. Defense of Claims. Promptly upon receipt of any claim asserted by any third party, or any action commenced by any third party involving any claim, liability or obligation within the scope of any of the indemnifications contained in Paragraphs 16 or 17 hereof by one of the parties to this Agreement, the party receiving such claim shall give written notice thereof to the other party hereto, and the party required to make indemnification under this Agreement (the "indemnitor") shall defend or otherwise protect such claim at its own cost and expense and with counsel of its own choice, and shall pay promptly any judgments rendered or settlements reached. The other party hereto (the "indemnitee") may, at its option, but shall not be required to, join in the defense by counsel of its own choosing and at its own expense. In the event that the indemnitor shall fail to notify the indemnitee that the said indemnitor will defend any such suit, proceedings, claim or demand, within fifteen (15) days after the notice thereof has been given to it, or in the event that the indemnitor shall fail to defend diligently the said suit, proceedings, claim or demand, the indemnitee shall have the right to defend the same and to obtain prompt payment from the indemnitor for its reasonable costs and expenses (including attorneys' fees) in connection therewith, and for any judgments recovered against it or settlements reached by it.

22. Brokerage. The Buyer agrees to hold harmless the Seller from any claim, demand or judgment made or rendered against the Seller for brokerage in this transaction from anyone with whom the Buyer has an understanding, agreement or commitment with respect to the payment of any broker's or finder's fee or the like with respect to the transactions contemplated by this Agreement; and the Seller agrees to save and hold harmless the Buyer from any claim, demand or judgment made or rendered against the Buyer for brokerage in this transaction from anyone with whom the Seller has an understanding, agreement or commitment with respect to the payment of any broker's or finder's fee or the like with respect to the transactions contemplated by this Agreement.

23. Expenses. The Buyer and the Seller shall each pay the respective expenses incurred by each of them in connection with the proceedings taken with respect to this Agreement and relating thereto. Buyer shall pay the policy premiums for title insurance and any sales or similar tax which may be payable with respect to the sale and transfer of Plant Assets hereunder. Seller shall pay for recording the deed and for the documentary stamps with respect to the deed. Escrow costs, if any, shall be shared equally.

24. Notices. All notices, letters, requests, demands and other communications hereunder shall be in writing and shall be deemed to be duly given if delivered in person and receipted for, or if deposited into the United States mail (first class and registered or certified with return receipt requested and with all postage prepaid), or if otherwise actually delivered:

A. If to the Seller:

Kaiser Gypsum Company, Inc.
Attention: James Rowe, Vice President, Marketing
300 Lakeside Drive
Oakland, California 94666

With copy to:

Kaiser Gypsum Company, Inc.
Attention: Charles W. Reese, Esquire
Legal Department
300 Lakeside Drive
Oakland, California 94666

B. If to the Buyer:

Norwest Gypsum, Inc.
6010 - 20th Street East
Tacoma, Washington 98424

With copy to:

Brownfield & Associates, Inc.
6010 - 20th Street East
Tacoma, Washington 98424

or to such other persons or at such other addresses as either party hereto may hereafter be notified by the other party in accordance with this paragraph.

25. Termination. Subject to the more specific remedies otherwise provided herein, either party may terminate this Agreement by immediate written notice to the other party, if a material breach has occurred by such other party and such breach has continued without correction for a period of fifteen (15) business days after receipt of written notice thereof from the terminating party.

26. Construction of Agreement. The paragraph and subparagraph headings contained in this Agreement are for reference purposes only and shall not affect in any way the meanings or interpretation hereof.

27. Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which shall constitute one and the same instrument.

28. Survival of Representations and Warranties. All agreements, representations, warranties and indemnities herein shall survive any investigations in connection herewith and the Closing Date; provided, however, that the representations and warranties set forth in Paragraph 5.D. above re machinery and equipment (and the indemnification with respect thereto set forth in Paragraph 16.C. above), shall survive the Closing Date only as to claims asserted in writing by Buyer within thirty (30) days after the Closing Date.

29. Assignment/Benefit. Neither this Agreement nor any part thereof may be assigned either voluntarily or by operation of law by either party without the prior written consent of the other party; that either party may assign and transfer this Agreement to any of its subsidiaries or affiliates or its parent company, or joint venturer of which it holds a major interest, without such consent, in which instance the party so assigning shall remain liable hereunder for full and faithful performance of this Agreement by such subsidiary, affiliate, or parent company. Subject to the foregoing, this Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns.

30. Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the matters herein contained (except for those related transactions described in Paragraph 10.C above) and supersedes and embodies all negotiations between the parties; and no agreements, representations, warranties, indemnities or promises, unless contained herein, shall be binding upon the parties hereto with respect to the matters herein contained.

31. Controlling Law. This Agreement shall be governed, construed and interpreted pursuant to the laws of the State of Washington.

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[Handwritten signature and initials]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day
and year first above written.

ATTEST:

Donald F. Tarabochia
Its: SECRETARY/TREASURER

BUYER:

NORWEST GYPSUM, INC.

By: Robert M. Cindry
Its: PRESIDENT

SELLER:

KAISER GYPSUM COMPANY, INC.

ATTEST:

Its: _____

By: [Signature]
Its: Vice President

[Signature]

STATE OF WASHINGTON)
COUNTY OF KING) ss.

THIS IS TO CERTIFY that on this 13th day of February, 1978,
before me, the undersigned, a notary public in and for the state of Washington,
duly commissioned and sworn personally appeared Jamsek Kovac and
[redacted], to me known to be the Vice President and
[redacted], respectively, of KAISER GYPSUM COMPANY, INC.,
the corporation that executed the within and foregoing instrument, and acknowledged
the said instrument to be the free and voluntary act and deed of said corporation for
the uses and purposes therein mentioned, and on oath stated that they were authorized
to execute said instrument, and that the seal affixed is the new corporate seal of said
corporation.

WITNESS my hand and official seal the day and year in this certificate first above written.

Notary public in and for the state of
WASHINGTON, residing at Seattle

STATE OF WASHINGTON)
COUNTY OF KING) ss.

THIS IS TO CERTIFY that on this 13th day of February, 1978, before me, the undersigned, a notary public in and for the state of Washington, duly commissioned and sworn personally appeared Robert M. Carter and Dorothy J. Smith, to me known to be the President and Vice President, respectively, of NORWEST GYPSUM, INC. the corporation that executed the within and foregoing instrument, and acknowledged the said instrument to be the free and voluntary act and deed of said corporation for the uses and purposes therein mentioned, and on oath stated that they were authorized to execute said instrument, and that the seal affixed is the corporate seal of said corporation.

WITNESS my hand and official seal the day and year in this certificate first above written.

Notary public in and for the state of California, residing at 1144 N. 1st St.

STATE OF
COUNTY OF

)
) ss.
)

THIS IS TO CERTIFY that on this _____ day of _____, 1978,
before me, the undersigned, a notary public in and for the state of _____,
duly commissioned and sworn personally appeared _____,
to me known to be the individual described in and who executed the within instrument,
and acknowledged to me that he signed the same as his free and voluntary act and deed
for the uses and purposes therein mentioned.

WITNESS my hand and official seal the day and year in this certificate first
above written.

Notary public in and for the state of _____,
residing at _____.

on R,
[Signature]

Stock Transfer Agents

Common Stock

Bank of America, N.T. & S.A.
San Francisco, California
First National City Bank
New York, New York

5% Convertible Preferred Stock and \$1.375 Convertible Preference Stock

Bank of America, N.T. & S.A.
San Francisco, California
Bankers Trust Company
New York, New York

Registrars

Common Stock

United California Bank
San Francisco, California
Manufacturers Hanover
Trust Company
New York, New York

5% Convertible Preferred Stock and \$1.375 Convertible Preference Stock

Wells Fargo Bank (N.A.)
San Francisco, California
The Chase Manhattan Bank, N.A.
New York, New York

Stock Listings

Common, Preferred and Preference Stocks

New York Stock Exchange
Pacific Coast Stock Exchange

General Counsel

Thelen, Marrin, Johnson & Bridges
San Francisco, California

Auditors

Touche Ross & Co.
San Francisco, California

KG2000155

KAISER
CEMENT & GYPSUM
CORPORATION

Kaiser Center, 300 Lakeside Drive, Oakland, California 94604

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KG2000156
